

WINDFALL OILS & MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31

1973

WINDFALL OILS & MINES LIMITED

Head Office

Suite 1921
Bank of Nova Scotia Building
44 King Street West
Toronto, Ontario
M5H 1E2

Directors

F. Blair
Toronto

W. F. Farrow
Port Credit

E. G. Huggard
Windsor

A. G. MacMillan
Weston

G. A. MacMillan
Tottenham, R.R. No. 2

Officers

G. A. MacMillan
President

E. G. Huggard
Vice-President

T. F. C. Cole
Secretary

F. Blair
Treasurer

Transfer Agent and Registrar

Canada Permanent Trust Company
20 Eglinton Ave. W.
Toronto

Auditors

Lech, Needham & Associates
Chartered Accountants
Hamilton

Annual and General Meeting

11th Floor
Board of Trade Building
11 Adelaide Street West
Toronto
April 26, 1974, at 10:30 a.m.
(Toronto Time)

REPORT OF THE DIRECTORS

To the Shareholders:

The directors present the Annual Report of Windfall Oils & Mines Limited for the year ended December 31, 1973. The auditors' report on the financial statements, with balance sheet as of December 31, 1973, and such statements, form part of the report. Shareholders will observe that the directors filled the vacancy occasioned by the retirement from practice of Charles P. Hill, the surviving partner of Messrs. Hill, Murray & Co. who had been the auditors for many years, by appointing, as he suggested, Messrs. Lech, Needham & Associates.

PROPERTIES

The Company had acquired by staking in 1972 eight mining claims in Taylor Township, District of Cochrane, but no anomalous indications were obtained on a geophysical survey conducted in 1973 on four of the claims, so the other four are being allowed to lapse.

The Company retained its properties in Echo and McAree Township, adjacent to the property of Goldlund Mines in the Sioux Lookout Area, Ontario, in Wark and Prosser Townships in the Timmins Area, Ontario, and, through a subsidiary, in the Yerington Area, Nevada, U.S.A.

GENERAL POLICY

The Company plans to pursue its policy of considering property submissions with a view to acquisition, by staking, option to purchase or otherwise, of interests in mineral prospects of promise, consistent with the Company's financial capacities from time to time. No submissions during the last year were investigated in any detail.

SPECIAL BUSINESS

The annual meeting is to be held also as a general meeting. Because of amendments to The Business Corporations Act, certain formal amendments to the Company's by-laws are proposed for confirmation, as is an amendment to the Company's articles. The latter is a prerequisite of any new equity financing since it will not be possible to issue par value shares as fully paid at a discount after the year end. The amendment will change all issued and unissued shares to no par value.

Respectfully submitted

On behalf of the Board,

G. A. MacMillan,
President

Toronto, Ontario
March 25, 1974.

WINDFALL OILS & MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT DECEMBER 31, 1973

(with comparative figures for 1972)

ASSETS

	1973	1972
Current:		
Cash in bank and on deposit.....	\$ 57,516.43	\$ 64,752.07
Investments at cost (quoted market 1973 \$15,700, 1972 \$12,650).....	16,250.00	16,250.00
Miscellaneous accounts receivable and advances.....	460.00	482.31
	<u>\$ 74,226.43</u>	<u>\$ 81,484.38</u>
Equipment at cost.....	\$ 4,717.21	\$ 4,717.21
Mining Claims and Leases:		
Townships of Echo and McAree, District of Kenora, Ontario.....	100,000.00	100,000.00
Townships of Wark and Prosser, District of Cochrane, Ontario.....	200,000.00	200,000.00
Lyon County, State of Nevada, U.S.A.....	3,240.00	3,240.00
	<u>\$303,240.00</u>	<u>\$303,240.00</u>
Deferred Expenditure as per attached Statement:		
General exploration, development, and administrative expenditure.....	432,444.13	427,263.97
Exploration and development of claims held in Townships of Wark and Prosser, District of Cochrane, Ontario.....	176,030.28	175,937.88
Exploration and development of claims held in Townships of Echo and McAree, District of Kenora, Ontario — Note 2.....	8,710.29	6,999.90
	<u>\$617,184.70</u>	<u>\$610,201.75</u>
	<u>\$999,368.34</u>	<u>\$999,643.34</u>

LIABILITIES

	1973	1972
Current:		
Accounts payable and accrued charges.....	\$ 375.00	\$ 650.00
Capital:		
Authorized		
5,000,000 shares		
of \$1.00 each.....	<u>\$5,000,000.00</u>	<u>\$5,000,000.00</u>
Issued		
3,800,000 shares.....	\$3,800,000.00	\$3,800,000.00
Less discount thereon.....	1,981,244.40	1,981,244.40
	<u>1,818,755.60</u>	<u>1,818,755.60</u>
Deduct:		
Mining properties and expenditure thereon, interests, etc. written off as having no value..	819,762.26	819,762.26
	<u>\$ 998,993.34</u>	<u>\$ 998,993.34</u>
	<u>\$ 999,368.34</u>	<u>\$ 999,643.34</u>

NOTE: The attached notes form an integral part of the financial statements.

Approved on behalf of the Board:

GEORGE A. MacMILLAN, Director
EDWARD G. HUGGARD, Director

Hamilton, Ontario,
March 27, 1974.

LECH, NEEDHAM & ASSOCIATES
Chartered Accountants.

WINDFALL OILS & MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURE

for the year ended 31st. December, 1973

(with comparative figures for 1972)

	1973	1972
General Exploration and Development:		
Licenses.....	\$ 100.00	\$ 100.00
Field expenses.....	2,107.00	954.00
General expense.....	223.07	392.47
	<u>\$ 2,430.07</u>	<u>\$ 1,446.47</u>
Administrative:		
Corporate expense.....	2,638.95	3,020.46
Legal.....	621.20	415.00
Directors' fees.....	250.00	225.00
Head office.....	3,082.67	2,953.96
	<u>6,592.82</u>	<u>6,614.42</u>
Less interest earned.....	3,842.73	4,337.86
	<u>2,750.09</u>	<u>2,276.56</u>
	<u>5,180.16</u>	<u>3,723.03</u>
Balance forward from previous year.....	427,263.97	423,540.94
CARRIED TO BALANCE SHEET.....	<u>\$432,444.13</u>	<u>\$427,263.97</u>
Exploration and Development of Properties in Townships of Wark and Prosser, Ontario:		
Travel, lodging, etc.....		1,106.80
General.....	92.40	48.40
	<u>92.40</u>	<u>1,155.20</u>
Balance forward from previous year.....	175,937.88	174,782.68
CARRIED TO BALANCE SHEET.....	<u>\$176,030.28</u>	<u>\$175,937.88</u>
Exploration and Development of Properties in Townships of Echo and McAree, Ontario — Note 2:		
General.....	1,710.39	392.95
	<u>1,710.39</u>	<u>392.95</u>
Balance forward from previous year.....	6,999.90	6,606.95
CARRIED TO BALANCE SHEET.....	<u>\$ 8,710.29</u>	<u>\$ 6,999.90</u>

WINDFALL OILS & MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31st. December, 1973
(with comparative figures for 1972)

	1973	1972
Expenditure during year:		
Administrative.....	\$ 6,592.82	\$ 6,614.42
Exploration and Development		
Townships of Wark and Prosser	92.40	1,155.20
Townships of Echo and McAree — Note 2.....	1,710.39	392.95
General.....	2,430.07	1,446.47
	<u>\$ 10,825.68</u>	<u>\$ 9,609.04</u>
Deduct funds received:		
Interest.....	3,842.73	4,337.86
	<u>\$ 6,982.95</u>	<u>\$ 5,271.18</u>
Working Capital at beginning of year.....	80,834.38	86,105.56
Working Capital at close of year.....	73,851.43	80,834.38
Decrease in working capital during year.....	<u>\$ 6,982.95</u>	<u>\$ 5,271.18</u>

Working capital figures include investments at cost

NOTES ON FINANCIAL STATEMENTS

as at 31st. December, 1973

1. During 1967 an exploration option on ground in Prosser Township was entered into which, if fully exercised, would require payments totalling \$20,000 and, under certain conditions, the issue to the optioners of a total of 300,000 shares of a company which may be formed having an authorized capital of 3,000,000 shares. To date \$2,000 has been paid of which \$1,600 is now held in escrow pending deposit of good title to the ground by the optioners. To date no change in these circumstances has occurred.
2. A re-examination of ground held in the Townships of Echo and McAree was commenced in 1970. Costs of the re-examination are shown separately.
3. We have relied upon the report given by the predecessor auditors, Hill, Murray and Co., Chartered Accountants with respect to the figures contained in the financial statements as at December 31, 1972.

AUDITORS' REPORT

To The Shareholders
Windfall Oils & Mines Limited

We have examined the balance sheet of Windfall Oils & Mines Limited as at 31st. December, 1973, the statement of exploration, development, and administrative expenditure, and the statement of source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet, the statement of exploration, development, and administrative expenditure, and the statement of source and application of funds present fairly the financial position of the company as at 31st. December, 1973, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LECH, NEEDHAM & ASSOCIATES

Chartered Accountants

Hamilton, Ontario,
March 27, 1974.

WINDFALL OILS & MINES LIMITED

Meeting of Shareholders

April 26, 1974

INFORMATION CIRCULAR

as at March 25, 1974

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Windfall Oils & Mines Limited ("the Company") of proxies to be used at the Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular personnel of the Company at nominal cost. The Company does not intend to pay any compensation for the solicitation of proxies. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are directors and/or officers of the Company. **A shareholder desiring to appoint some other person to attend and act for him and on his behalf at the meeting may do so** either by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Company not later than 48 hours before the time of the meeting. Proxies received less than 48 hours before the meeting will not be used at the meeting.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Company or the Chairman of the meeting or (c) attending at the meeting and orally revoking such proxy.

Where a proxy is signed by a corporation, its corporate seal must be affixed.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the proxy will be voted on any item of business on which a ballot is to be taken and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the shares shall, subject to section 121 of The Business Corporations Act, be voted in accordance with the specifications so made. **In the absence of such specifications, such shares, if voted, will be voted in favour of:**

- (a) the approval of the 1973 Annual Report which includes the Report of the Directors, the Financial Statements for the period ended December 31, 1973 and the Auditors' Report;
- (b) the election as directors of the nominees designated below;
- (c) the appointment as auditors of Lech, Needham & Associates with authority to the directors to fix their remuneration;
- (d) the confirmation of By-law No. 16
- (e) the confirmation of By-law No. 17
- (f) the confirmation of Special Resolution "A"

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting and any adjournment thereof. At the time of printing this Circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On the date hereof the Company had outstanding 3,800,000 shares with par value of \$1.00 each and each carrying the right to one vote per share. According to copies of insider reports furnished the Company, the following indicates persons or companies beneficially owning directly or indirectly shares carrying more than 10% of the voting rights attached to all issued shares of the Company: G. A. MacMillan is the owner of 532,100 shares of the Company and all the shares of Variometer Surveys Limited which owns 307,553 shares of the Company.

Shareholders of record at the time of the meeting will be entitled to attend and vote at the meeting. The recorded addresses of shareholders are indicated on the printed Proxy furnished with the Notice of Meeting. Shareholders are urged to see that the Company or the Transfer Agent, Canada Permanent Trust Company, 20 Eglinton Avenue West, Toronto, has their current addresses.

ELECTION OF DIRECTORS

The board consists of five directors. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed by management, to be nominated for election as directors, all other positions and office with the Company now held by them, their principal occupations and number of shares of the Company beneficially owned directly or indirectly by each of them as of the date hereof.

<u>Name and Office Held</u>	<u>Principal Occupation during past 5 years</u>	<u>Shares</u>	<u>Became Director</u>
G. A. MacMillan (President)	Independent Prospector	532,100 direct*	1961
E. G. Huggard (Vice-President)	Retired	0	1970
W. F. Farrow	Retired	0	1966
F. Blair (Treasurer)	Accountant	16,500 direct**	1966
A. G. MacMillan	Salesman	0	1968

*Mr. MacMillan also owns all the shares of Variometer Surveys Limited referred to above and 100,000 of the 1,311,455 issued shares of Golden Shaft Mines Limited which owns 326,931 shares of the Company; V. R. MacMillan, wife of Mr. MacMillan, owns 801,501 shares of Golden Shaft Mines Limited.

**held in joint ownership with husband, Thomas Blair.

The information with respect to directors and shares beneficially owned by them not being within the knowledge of the Company has been furnished by the respective directors individually.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration other than a nominal fee per meeting attended was paid or is payable by the Company to the directors and senior officers of the Company as such for the fiscal year ended December 31, 1973 or is proposed to be paid. G. A. MacMillan when in the field receives \$30.00 per day. Directors and officers as a group received \$610.00 during the year. The legal firm of Strathy, Archibald, Seagram & Cole of which T. F. C. Cole, Secretary, is a member, received payment for professional services as counsel to the Company.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Lech, Needham & Associates, Chartered Accountants, Hamilton, Ontario, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Hill, Murray & Co. who had been auditors of the Company for more than five years retired before commencing the annual audit for 1973.

SPECIAL BUSINESS

In view of the provisions of certain amendments to The Business Corporations Act, certain amendments to the Company's by-laws and articles are desirable.

- (i) By-law Number 16 enacted by the directors March 25, 1974, amends By-law Number 1 of the Company, relating generally to the transaction of its business and affairs to eliminate, without substantive changes otherwise, provisions which may be considered to contravene the Act, as amended.
- (ii) By-law Number 17 enacted by the directors March 25, 1974, permits continued remuneration of directors on the same basis as formerly viz. \$25. per meeting of the board or of a committee attended.
- (iii) Special Resolution "A" passed by the directors is to amend the Articles of the Company by changing all issued and unissued shares with the par value of \$1.00 each to shares without par value.

The persons named in the enclosed form of proxy intend to vote in favour of the confirmation of By-laws Nos. 19 and 20 and Special Resolution "A", copies of all of which are available for examination by shareholders at the office of the Company during normal business hours up to the business day preceding the meeting. For confirmation, Special Resolution "A" requires two-thirds of the votes cast at the meeting.

